The Stop & Shop Companies Annual Report 1973

DATE: January 10, 1974

TO: All People In The Stop & Shop Companies

RE: "What's Going On" Department — Special Edition

Last Saturday was a truly historic day for The Stop & Shop Companies.

Some time around 3:27 P.M. our Company passed the one billion dollar sales mark.

This represents an accomplishment of which we can all be proud. But more important than pride, is a deep feeling of appreciation to all the men and women who have been associated with us since our founding in 1915, each one of whom has contributed so much to make this day a reality.

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Annual Meeting
June 4, 1974 at 1:30 P.M. at The First National Bank of Boston, First Floor Auditorium, 100 Federal Street, Boston, Massachusetts 02210.

Comparative Highlights

	52 Weeks Ended February 2, 1974 (In Thousands)	53 Weeks Ended February 3, 1973 (In Thousands)
Sales	$1,082,957	$994,469
Earnings:		
Pretax Operating Earnings	15,237	10,803
Federal Taxes	6,377	4,403
Net Earnings	8,860	6,400
% of Net Earnings to Sales	0.82%	0.64%
Net Earnings Per Share	2.81	2.03
Cash Dividends Paid	2,837	2,838
Per Share of Common Stock	.90	.90
Reinvested in the Business	6,023	3,562
Current Assets	118,267	103,261
Current Liabilities	79,681	66,463
Working Capital	38,586	36,798
Current Ratio	1.48	1.55
Stockholders Equity	72,774	66,751
Supermarkets Open At Year End	155	154
Bradlees Open At Year End	63	56
Medi Marts Open At Year End	22	19
Perkins Open At Year End	38	34
Total Stores	278	263

Shareholder's Letter

Listing Day at the New York Stock Exchange, March 28, 1974: From left, Avram J. Goldberg; Merle S. Wick, Vice President, NYSE; Sidney R. Rabb, Irving W. Rabb.

At the time of the Annual Shareholders' Meeting of The Stop & Shop Companies in June of 1973, it was clear that—toward the end of the year—we would pass the historic billion dollar sales mark. At that meeting, we stated a more important goal: that we also set a new record for earnings in 1973. We are very pleased to report that our people have more than met that challenge.

Sales for the 52 weeks of fiscal 1973 were $1,082,957,000, compared to $994,469,000 in the 53 weeks of fiscal 1972. Earnings in 1973 were $8,860,000 or $2.81 a share, compared to earnings of $6,400,000, or $2.03 a share in 1972.

Net Sales:	1973	1972
	(In Thousands)	
Stop & Shop Supermarkets	$ 788,764	$733,797
Bradlees Department Stores, exclusive of licensees' sales	256,835	228,264
Medi Mart Drug Stores	30,480	26,056
Charles B. Perkins Tobacco Shops	6,878	6,352
Total:	$1,082,957	$994,469

We report these results to you with satisfaction and with pride. In doing so, we categorically reject the efforts of some in the media, in the consumer movement and in government to equate any profit with "profiteering." Profits are vital to the continued health, not only of this Company but also to the well-being of its 23,000 employes in seven states; of its thousands of suppliers; of its stockholders; and of government at every level, since only from profits can come the taxes, payrolls and fees we pay.

We continued our program of reinvesting a good measure of those profits in the healthy growth of your company. During the year, we opened 7 Bradlees, 6 Stop & Shop Supermarkets, 3 Medi Mart Drug Stores and 4 Perkins Tobacco Shops. In addition, we built a film processing laboratory in Canton, Mass., and made major improvements to our Meat Processing and Distribution facility in Marlboro, Mass.

Our Stop & Shop people achieved these outstanding results despite what we can only characterize as an extraordinary year, marked by consumer boycotts, shortages of product, delays in delivery and a confusing pattern of Federal controls.

We began the year under the ineffective controls of Phase III. March saw a ceiling on meat prices at retail and wholesale but not "on the hoof"; June a freeze on all wholesale and retail food prices.

In July we were allowed a "pass-through" of increases in raw agricultural prices, except meat; in August, all price controls, except those on food, entered Phase IV. The Supermarket Company entered Phase IV on September 10, but controls continued on our profit margins.

After the close of our fiscal year, controls ended for some of The Stop & Shop Companies, but not for the retail food industry. The present law expires on April 30th, and we do not as yet know what will take its place.

Despite these essentially negative influences, our company continued solid, prudent and innovative growth. Several years ago, we embarked on a major restructuring of management and organizational concepts. Having changed our name to The Stop & Shop Companies, Inc., we were determined to translate that name into a reality—by creating a group of independently operating companies and staff divisions. Our goal was to decentralize decision-making as much as possible, while at the same time combining our strengths where it would be to our advantage to do so. This philosophy made its greatest progress to date during 1973.

After a series of difficult years, the Stop & Shop Supermarket Company is again making an important contribution to sales and profit. Sidney L. Goldstein had a major role in that renaissance as General Manager of our Connecticut and New Jersey Divisions. At the end of the year, he became the first President of the Supermarket Company. Lewis G. Schaeneman, Jr., was appointed Vice President for the Connecticut Division and Richard H. Donlan, General Manager for New Jersey.

As Vice President and General Manager, Robert J. Levin has moved the Medi Mart Company ahead at an accelerating rate. In recognition of the performance of the entire Medi Mart team, we have appointed Bob the first President of Medi Mart, while at the same time continuing him as President of Charles B. Perkins.

The Bradlees Company continued to grow in sales, profit and quality standards under the leadership of President Robert Futoran. The Manufacturing and Quality Control Division, headed by Vice President Arthur Norris, reflected a growing maturity in organization and profit contribution. And while Bob Levin remains President of Perkins, Vice President Stephen C. Espo has the day-to-day operating responsibility for the "youngest" of The Stop & Shop Companies.

Many achievements reflect our commitment to the other end of the spectrum: our determination to combine our strengths for the good of the whole. To strengthen our

corporate organization, Myles Hannan joined the company as Vice President in the Office of the President. Myles was formerly Vice President and General Counsel of High Voltage Engineering Corporation. Joseph McGlinchey, Bradlees Controller, was named Corporate Director of Financial Planning and Control.

Corporate buying of Health and Beauty aids is now completely refined and servicing the needs of Bradlees, Medi Mart and Stop & Shop. Similarly, Charles B. Perkins is distributing tobacco and related sundries from a central warehouse to all Medi Marts, and is conducting a pilot program with some Stop & Shop supermarkets. The Photo Finishing Laboratory, not yet a year old, is developing and printing film for Stop & Shop, Bradlees and Medi Mart and operating in the black.

The details of all these accomplishments will appear in the following sections of the Annual Report, but we should at least mention a few of the highlights of an exciting year:

Our Marlboro Meat Plant completed its first full year of operation, a proven success.

Bradlees took a major step forward in the area of product safety by introducing its Play Safer Program for all toys. Play Safer sets standards which in many instances are more rigorous than those of the Federal Government.

Medi Mart, in terms of both customer acceptance of the super drug store concept and its integration into our corporate buying and warehousing system, demonstrated that its major need is more stores in our existing operating areas.

Another contributing factor in our improved earnings picture was the elimination of the loss from operation of the three Funstop stores which were sold to Child World early in fiscal 1973.

Throughout the year, Stop & Shop continued to be impacted by almost irresistible national and economic forces of inflation and commodity shortages. Our people have to bend every effort to counteract these forces, rather than merely concentrating on our own business.

We received substantial income from the sale of salvaged material, particularly corrugated cardboard, and by careful planning we have kept our basic manufacturing operations, including the Bakery and the Commissary, viable and profitable despite serious commodity shortages.

The strike by independent truckers in January, 1974, aggravated an already bad transportation system in the Northeast. Railroad rolling stock is in critically short supply and the energy crisis has disrupted trucking delivery schedules. We cannot urge too strongly the need for prompt reorganization of the railroads serving the Northeast, and the development of a rational plan for maintenance of over-the-road deliveries at reasonable cost.

On balance, and recognizing the tremendous pressures of inflation on our economy, 1973 was a favorable year in labor relations—despite three strikes, only one of them of extended duration. Major contracts for the current year have been negotiated in a positive atmosphere.

In January of 1974, 42 California grape growers brought suit against Stop & Shop and three other New England food retailers in Federal Court alleging that we engaged in a concerted group boycott of their grapes in favor of grapes picked by the United Farm Workers. The grape growers allege actual damages of $2,000,000, trebled to $6,000,000. The Company denies the allegations and counsel advises that the Company has good defenses to this action.

Stop & Shop was one of the first companies to respond to the Administration's appeal for conservation of energy. We have reduced temperatures in stores and working areas, encouraged car pools and reduced lighting consistent with safety and security.

On the financial side, we continue to project our investments within the parameters of capital readily available to us from earnings and depreciation. Recognition should be given to the major improvements in the management of our cash resources accomplished by our Financial Division. The result has been a marked decrease in our short-term interest charges and thus, a major contribution to our profit structure. In addition, 1973 saw the creation of the Audit Committee of the Board of Directors consisting of Messrs. Hurley, Pounds and Wolbach whose mission is to examine the auditing and financial procedures of the company.

Shortly before the end of the fiscal year, we were advised we would be admitted for listing on the New York Stock Exchange effective March 28, 1974. We leave the American Exchange (having traded on "The Curb" since 1925) with great appreciation for our many years of association.

We also note with great regret the resignation of Sidney L. Solomon after 22 years of invaluable service on our Board of Directors. He was succeeded by his son, Peter J. Solomon, a Managing Director of Lehman Brothers.

The essence of The Stop & Shop Companies is people—the millions of customers who each week trade in our 280 stores, and the 23,000 employees who serve them. The challenge presented is to apply most effectively the tremendous and diverse talents of <u>all</u> of our people toward meeting the needs of our customers, and the public.

In March of 1973, 50 of our management people met off-site for a three-day exchange of action-oriented ideas. They focused on present conditions within the Company and plans for the future. The process has continued throughout the year. It provided great impetus to our success story in combined and corporate buying. Other projects are: Improvements in the benefits package for administrative employees and the development of a comprehensive orientation program for all newcomers to our Company. We are already achieving closer communications through Newsletters, "Family Nights", The President's Dinners, and the "What's Cooking" session in the Manufacturing Division. We believe that as all of us in The Stop & Shop Companies develop a greater awareness of and sensitivity to each other's needs, we will inevitably do a better job of serving the needs of our customers and our community.

Sidney R. Rabb
Chairman of the Board

Avram J. Goldberg
President

Stop & Shop Supermarkets

For the Stop & Shop Supermarket Company, 1973 was a year of aggressive response to the continuing challenge of rising costs and expenses, of shortages of product, of delays in delivery and of legitimate concerns on the part of the consumer.

The Supermarket Company set another record for sales, which was our expectation. More important, they were profitable sales.

A number of factors produced profitability, among them: controls on inventory and expenses; tighter security; the growing contribution of our Marlboro Meat Plant; the sale of various materials, such as corrugated cardboard, salvaged from our operations; continued improvement in our distribution system; and perhaps, most important, great improvement in the overall management of our stores.

We were tested severely throughout the year on our philosophy of offering the customer a choice of items at the lowest prices possible.

During the nationwide boycott of early April, Stop & Shop kept its meat counters full. We stated publicly our sympathy with those trying to do something about higher prices, but we stood firm on the principle that we had "no right to impose on our customers a standard of feeding their own families which was not of their own choosing."

Our commitment to that philosophy came under trial again in August during the suspension of meat packinghouse operations because of price controls. We immediately embarked on a program of buying beef "on the hoof" and having the cattle "custom slaughtered", to continue serving our customers.

The venture was successful because the Marlboro Meat Processing Plant allowed us to maintain our unique aging process and a steady flow of beef to our stores under strict quality control.

We continued in 1973 to concentrate our expansion efforts in areas of proven profitability. We opened new stores in Framingham, Chelsea and Taunton, Massachusetts; Salem, New Hampshire; and Edison and Hanover, New Jersey. Chelsea and Taunton replaced older, outmoded stores; and in addition we closed unprofitable units in New Bedford, Springfield and Saugus, Mass.

Three stores, in Derby and Middletown, Connecticut and Plymouth, Massachusetts, underwent major remodeling.

By the end of the year we had installed electronic terminals (rather than mechanical cash registers) in eleven Stop & Shops, including all new stores. These systems will not only pay for themselves through improved productivity, but also constitute a groundwork phase looking to eventual implementation of the Universal Product Code. We are keenly aware of the major investment decisions

Sidney L. Goldstein

and the sensitive consumer questions facing the supermarket industry in this important area. We are, therefore, proceeding with prudent care and research. We plan in 1974 to continue installation of electronic terminals and to gear up for our first test of a scanning system.

An almost explosive growth in our Consumer Boards movement reflected both our continuing commitment to legitimate consumer concerns and the exercise of broader responsibilities by the Store Manager.

The Manager recruits the board members, sets up an agenda and arranges for the attendance of Company officials best able to answer questions likely to come up. The managers have also played a key role in our accelerated program for busing Senior Citizens to our stores.

To go forward with the strengthening of the Supermarket Company's management structure, the following promotions were made at the close of the fiscal year.

Sidney L. Goldstein, from Vice President for Connecticut/New Jersey, to President of the Stop & Shop Supermarket Company.

Lewis G. Schaeneman, Jr., from General Sales Manager, Connecticut Division, to Vice President and General Manager, Connecticut Division, with Richard Ponte succeeding Mr. Schaeneman as Sales Manager for Connecticut.

Richard H. Donlan, from Director of Store Operations, New Jersey, to General Manager for New Jersey.

Donald J. Comeau was named Director of Personnel.

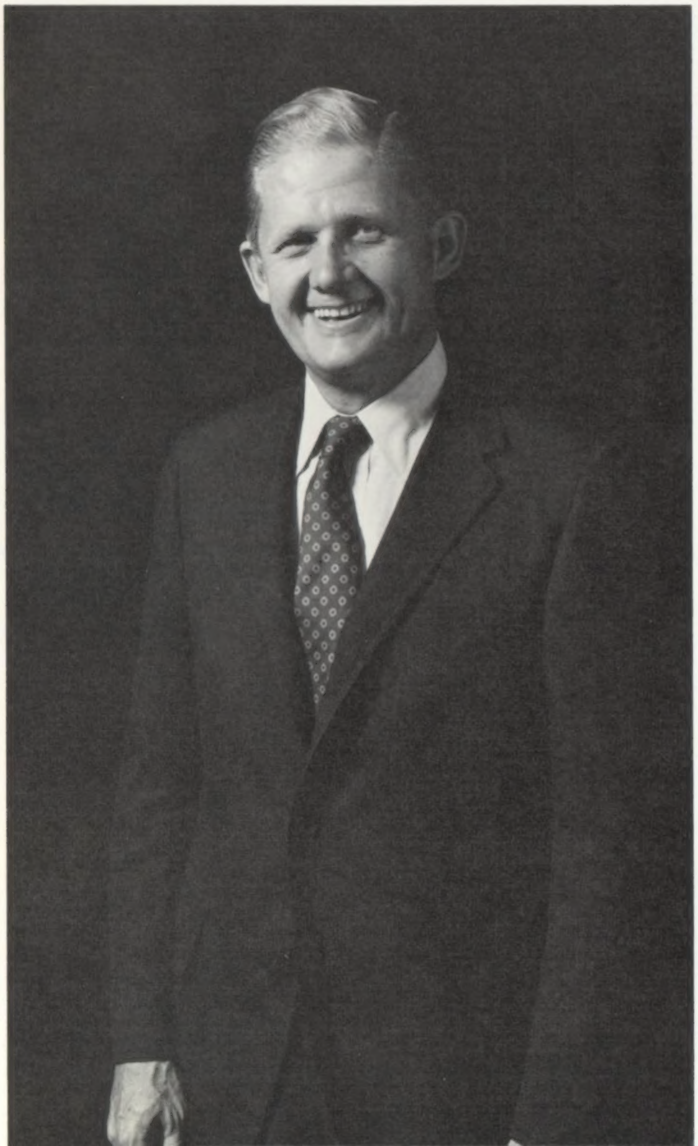
In a year of reverses for many discounters, Bradlees posted gains in both sales and profits.

We are all the more pleased to report that performance because 1973 was the year Bradlees put more emphasis than ever on quality as well as price.

Strongly competitive pricing continues to be the backbone of our merchandising strategy, but we consider of equal importance the constant development of trust between us and our customers.

We believe that the articulate customer of today is vitally concerned with value—which means a combination of quality and price. And as inflation accelerates, true value becomes more and more important. In the face of that growing demand for value, Bradlees has categorically rejected the strategy of "trading down". We believe that those merchants who establish today the reliability, quality and safety of their product will emerge from these troubled times stronger than ever.

Robert J. Futoran



Therefore, during 1973, we emphasized the safe quality of our toys, the high quality of our fashions, the dependable quality of our hard goods.

In fact, we were pioneers on a national level in toy safety, with the introduction of our PLAYSAFER program.

PLAYSAFER was almost a whole year in the planning and implementation, as we sounded out consumer groups, the toy industry and government agencies for the best possible ideas.

In the end, PLAYSAFER was designed to insure that every toy sold by Bradlees meets not only Federal and state guidelines, but the often more stringent standards we have set for ourselves.

We used television extensively during the year, with promising results. A series of tasteful messages about our apparel and appliance lines, keyed to the slogan, "Good doesn't have to be expensive," was well received and plans are going forward for even broader use of the medium this year.

To strengthen our quality image even further, we continue to search for merchandise suitable for development under the Bradlees Private Label, the range of which now runs from pantyhose and paints to lubricating oil and power lawn mowers.

Our Private Label committee subjects every candidate for the Bradlees name to an intensive review even before the product is sent to the testing laboratory for quality analysis.

The results of that laboratory testing are controlling in terms of quality.

We have been equally careful in the physical expansion of the Company.

We opened new stores at Lewiston, Maine; Salem, New Hampshire; Chelmsford and Taunton, Massachusetts and Ramsey, Hanover and Vineland, New Jersey.

Each new store reflects our philosophy of constantly upgrading both our merchandise and our merchandising techniques, with some individual touches to identify the store with the community.

To give added strength to our internal organization, Edward Shulkin was named General Merchandise Manager, Cosmetics, Hardlines and Home Entertainment, and Thomas E. Palmer was named Controller.

1973 was another year of growth and change for Medi Mart. We opened three stores, in Framingham, Chelsea and Medford, Massachusetts, consistent with our strategy of clustering in existing markets.

Serving the health needs of the community through our pharmacies remains the focal point of our business. Our established stores showed encouraging gains in volume, with prescription business increasing at a rate above the national average. We fully subscribe to the consumer's right to information concerning his or her prescriptions and, where state pharmacy laws permit, we post prices of the most commonly dispensed drugs. During this past year we installed electronic pill-counting machines in three stores, with an aim toward increasing efficiency and productivity while reducing customer waiting time. Our pharmacies continue to act as health information centers, disseminating material on Drug Abuse, Venereal Disease, Diabetes, Poison Prevention, Hypertension and Home Eye Test Kits. Reimbursement programs for continuing education are made available by your Company to all of our pharmacists.

In line with improving inventory turns, all stores were converted from using regional jobbers of tobacco and candy into drawing all of these items through our own warehouse. In addition, we became the first Stop & Shop Company to use the new Photo Finishing Laboratory for all of our film processing. We continue to draw upon the expertise of buyers in other Stop & Shop Companies in order to obtain quality product at the lowest possible cost.

Our Cosmetics and Beauty Aid Departments have been redesigned to provide an attractive display for women's cosmetics, hair care products, fragrances and bath delights. Our trained cosmeticians helped make 1973 franchised cosmetics sales the best ever, another department performing above national chain averages.

Highlighting our commitment to our customers and employees, we initiated a program called "We Care" in the latter half of the year, designed to stimulate employee morale as well as awareness and concern for our customers. Our goal is to make Medi Mart a great place to work and a great place to shop: The Big Friendly Drug Store.

Consistent with our policy of promotion from within, during the past year Daniel Corcoran was named Director of Personnel; five assistant managers were promoted to store manager, and we are pleased to report the promotion of three women: Barbara Hippler, Cosmetics Buyer; Alberta Wynott, Assistant to the Director of Store Operations; and Carolyn Henihan, Supervisor of Vendor Relations.

Perkins, the youngest of The Stop & Shop Companies, moves into fiscal 1974 with 40 Perkins Tobacco Shops —included is the opening in late February of our newest shop in the elegant Chestnut Hill Mall, Newton, Massachusetts.

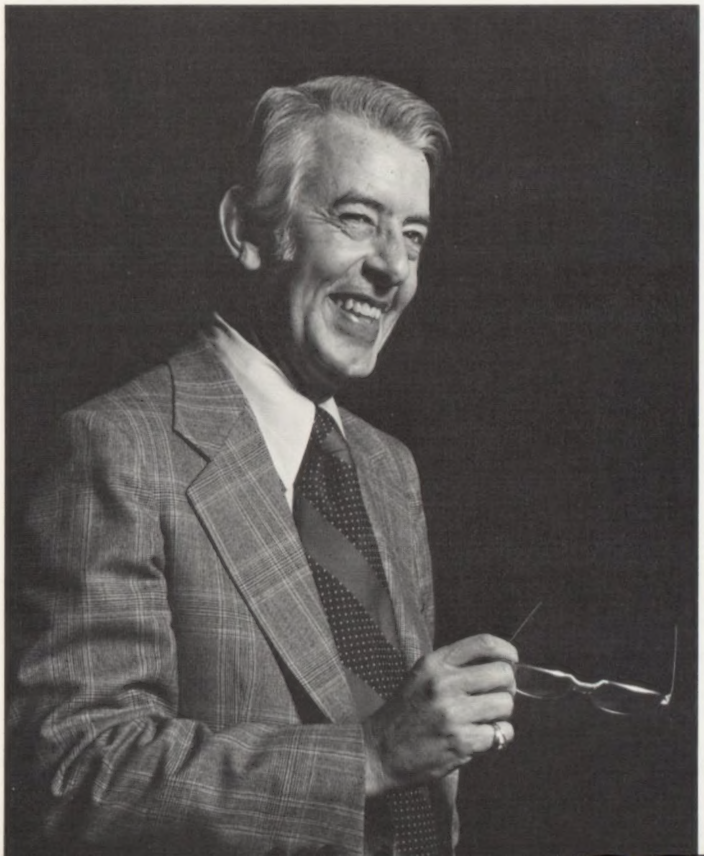
Logistically, our growth continued with the completion of a system to distribute a full line of tobacco products to Medi Mart Drug Stores, along with pilot distribution to Stop & Shop Supermarkets of cigars, tobaccos and sundries for their newly developed service department concept. In addition, we are buying lighters for all of The Stop & Shop Companies.

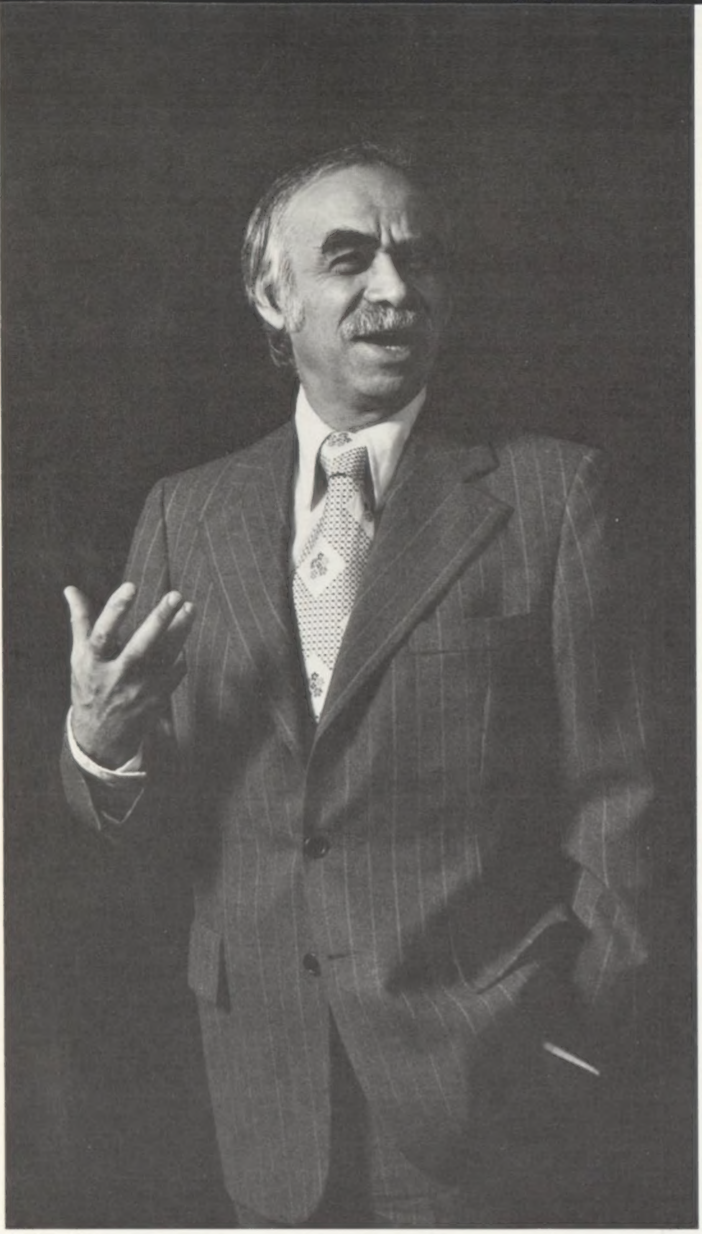
Perkins opened its first regional Mall store in the State of New York at the Sunrise Mall in Massapequa, Long Island, along with its second in New Jersey at the Bergen Mall in Paramus. Negotiations for new regional mall locations in New York, New Jersey, Massachusetts and Connecticut are in progress.

Also, the first Tobacco Departments in New Jersey Bradlees stores were opened in the Ramsey and Hanover stores. Remodels were completed in two existing departments, and expansion plans call for three additional Bradlees Departments in 1974.

Stephen C. Espo, Vice President and General Manager of Perkins, says the search for suitable Private Label product, a cornerstone of our merchandising strength, will continue in 1974. He also reports that initial consumer acceptance of Mall stores in the new market areas of New York and New Jersey has exceeded expectation, further evidence of the ability of Perkins people to respond to the unique merchandising challenges of our business, while keeping in touch with the needs of the most important part of our personal service business: the customer.

Robert J. Levin





Arthur Norris

Manufacturing & Quality Control

Manufacturing and Quality Control continue to be both profitable and innovative under the leadership of Vice President Arthur Norris and General Manager Bernard Goldman. Our profit growth stemmed primarily from the constantly improving operation of the Marlboro Meat Processing Plant. The development of the Photo Finishing Laboratory demonstrates our commitment to innovation, 1973 style.

Marlboro was the key to the Supermarket Company's ability to cope with consumer boycotts, packing house shut-downs, and uncertain delivery of meat products. In an outstanding team effort, members of Marlboro's management group traveled West to assist the meat buying office of the Supermarket Company in setting up and controlling the custom slaughtering operation. At the same time, an intensive group effort achieved continuing improvements in productivity and a constantly more efficient and profitable processing operation.

Production at the Bakery was interrupted for three weeks in November by a dispute over a new contract for the Bakery workers. Since settlement of the dispute, morale is high, the facility is back "on the beam" and thanks to careful planning is weathering the current extreme shortages of ingredients.

Jack Kushinsky was named General Manager of the Bakery with responsibility for its total operation. Mr. Kushinsky was formerly Executive Vice President of LaTouraine-Bickford Foods, Inc. and Controller of Topco Associates, Inc. (of Skokie, Illinois).

The Photo Finishing Lab began operation on May 5, 1973, processing film first from the Medi Mart Drugstores, and then from Bradlees. By the end of 1973, the Lab was servicing all the needs of the 63 Bradlees and 22 Medi Mart stores. In March 1974, we began phasing in the Stop & Shop supermarkets, all of which will be part of the program by the end of this year. In the post-holiday rush, the Laboratory processed more than 10,000 rolls of film in a single week; today, it is operating in the black.

We plan an enlargement of our Readville Quality Control laboratory facilities, to handle the requirements of the ever-growing number of governmental regulations—and to allow further refinement of private label testing procedures. Quality Control is gearing up to support a total corporate commitment to standards, sanitation and specification buying which will be of the highest priority in the years ahead.

During the year, the Readville Laboratory performed more than 38,000 microbiological analyses and 37,000 chemical analyses. The staff also performed 436 warehouse checks in five warehouses, and 60 sanitary warehouse examinations. Their work is of particular significance in assisting the line management of the company to live up to the letter and the spirit of the new OSHA requirements. In addition, the staff conducted 813 in-store checks in about 120 stores and the Division is currently designing a program to train our Store Managers in the techniques of self-inspection of stores.

Our personnel department has launched a vigorous and imaginative communications and training program, including Open House at manufacturing facilities for administrative people; Human Relations Seminars; "What's Cooking," meeting for clerical employees, evening instructional course.

We are particularly pleased to report a down trend in both days lost as a result of accidents, and in lost time accidents themselves.

With the growing involvement of our people at all levels, The Manufacturing Division looks forward to another year of both improved profitability and continuing innovation.

A Manager's Diary

Larry Solomon is the Manager of the Bradlees at Springdale Mall in Springfield, Massachusetts. We asked him at the beginning of the year if he would keep a diary of the day-to-day life in one of our stores.

We want to share with you his word picture of the store—the lifeblood of our Company.

FEBRUARY, 1973 Not eventful month—goods still not flowing. Just got off inventory, housekeeping the main event. Great time to be on vacation. White sales steady, must get out of winter goods.

MARCH, 1973 Goods beginning to flow for Spring in soft lines-put up the new decor, make it feel like spring is here. Back room filling up—strengthen back receiving area—advertising beginning to mean something—Carnival the big event—goods pouring in—call for two trailers, no room in store. Monday of The Carnival hectic, two cashiers called in sick, lines are starting to form at all registers—called girls out of receiving to wrap—called all checkers off floor—called night cashiers to get some in earlier. Sale great, but the place a disaster. Brought help in early to receive and thank goodness it started all over again....

APRIL Easter is our target. We look good after calling the buyer for more coats and dresses. Department Manager is out sick—new man in area as Sales Manager—directed all moves—Receiving room called—room filling up again. Another Housewares Carnival at the end of the month. What to do with goods—called for another trailer—set up tents for garden shop. Patio goods arriving too early—pull down gondolas, make room for moss cover—pool must go up—schedule heavy help for Carnival week. Payroll on Budget. Met stressed objectives and sales.

MAY Had meeting on results of last period. Beat Last Year's figures. We all feel good, all extra effort showed results. We zeroed in on fishing, garden shop and Mother's Day as big events for month. No big headaches other than we had to call buyers on building up quantities. Things are rolling—planning for vacation schedules begins now—trailers emptied out, called to have three picked up—Union called, wanted to meet me—question of seniority was discussed on a call back of help. We met and both came out smiling. Received our projections and upped them more—called buyers to raise our ratings. Month ended, great sales.

JUNE Zeroed in on Father's Day. Changed setup featuring shirts to the front—here again we began calling for more goods—scheduled help to come in early each day to receive and fill in area. Discussed display and signing—try new techniques—store must be leader. Created and built a camping shop—displayed boats that arrived today with new approach—Sales Manager agreed we should reorder at once—they look good. Father's Day business peaked. Period ended up over last year.

JULY Our targets are—Leisure Living Merchandise and White Sale, end up with clearances. We open with preholiday sale—a steady week, but I was disappointed—I expected more results from ad...Had a day off July 4th. White Sales goods arriving. A little late in fact, had to make calls to buyers for exact dates on arrival on some goods. Sign girl out for a week sick—got desperate and trained new girl—went to New York to meet with buying division. It seems just when you should be doing top business on outdoor leisure goods, you start to clearance them. Did well—month ended up ahead of last year, but white sale disappointing.

AUGUST Two main objectives—get out of all summer merchandise—Make store look like Fall and be ready for Back to School Business—pull down all Summer—started planning for Trim a Tree area and expansion of Toy area. We took two test inventories this month...Jewelry and Electronics. Big advertising event was the Back to School Brochure. Preparation underway for help for the coming fall and Christmas season. Budget was reviewed and interviews arranged for the last week of this month. Sales trend continued to show gains over last year's figures.

SEPTEMBER Fall goods and Trim a Tree goods flow in. We reset and put the Trim a Tree initial setup into the works. Started building the Toy Inventory up along with finalizing all clearance of summer gym program—sporting goods with the winter set up...Met with Sales Manager on new setup to dramatize our Holiday program. Set final date for Trim a Tree setup to be finished this period which was October 13. Front line manager agrees cashier retraining program procedures should be reviewed.

OCTOBER Met with staff and set goals for the holiday season—picked our winners and had each Sales Manager call the buyer to be peaked on these items—build up of merchandise for Christmas was beginning. Call for three more trailers. Reset the Lay Away Room and expand into the upstairs, hardlines stock areas. Bradlees management meeting set the tone for a new strong advertising approach from Thanksgiving Day on. Store prepared with the holiday look with a D-day for completion a week before Thanksgiving. Received our Christmas personnel needs and started interviewing. Official Springdale Mall opening brochure on November 4 quite successful along with our own brochure. Period successful—no real major problem.

Larry Solomon

NOVEMBER Christmas decor completed. Called for 3 more trailers to hold Toy and Trim a Tree Merchandise. Toy area expanded out for bulk selling. Gift shop section by our Perkins Tobacco Department working out well. Market Meeting to discuss new advertising look. Met with staff to discuss how we would handle the Thanksgiving Tuesday Sale—crew comes on at 6 on Friday and Saturday to accomplish task. The success of this ad was terrific. Overnight crews twice a week now so that toys would be put out and ready for business each day. The battle has begun—flow of merchandise and recovery a must was the topic of my managers meeting for the week. Success of period due to the stepped up advertising and the combined efforts of the entire staff.

DECEMBER Final weeks of Christmas—PLAYSAFER proving to be a great concept. Weekly Managers Meeting—stress flow of merchandise is top priority. Review scheduling to make sure help ample. Continue our recovery program on early schedule. Keep up with the brochures, key problem and this was accomplished many Monday mornings from 6 A.M. to 10 A.M. It finally ended. The sales are in. Made plans with Sales Managers how and when to get ready with after Christmas sales and mark downs. Plans were formulated and it meant again an early crew in the day after Christmas to achieve what we had to do. No sign of after Christmas letdown. Busy with good sales and plenty of work.

JANUARY Open with White Sales Art Roto—weather bad and it hurt us. Plans formulated for Inventory, slated for Jan. 26-27-28. Merchandise checked for prices throughout stores. All stock rooms emptied onto the floor. Trailers to be removed. All stock rooms be pre-inventoried by January 21, 1974. Planning and scheduling of help given to one Sales Manager as his responsibility. Complete review of present management staff—shift three department managers to expand into other areas. Management meeting held on importance of a good inventory. Inventory very smooth and the results indicate that the year was a success in Sales, Profit, Inventory Control and Shrink.

Consumer Boards

From Cape May to Cape Elizabeth in seven years.

No, this is not the log of a slow coastal freighter or the diary of a motorist making his way from gas station to gas station along the Eastern Seaboard during the energy crisis.

It is a report on an exciting aspect of the Consumers Affairs Program of The Stop & Shop Companies, Inc.: the Consumer Board.

Stop & Shop/Bradlees/Medi Mart Consumer Boards now operate in 45 areas from Atlantic City, New Jersey to Portland, Maine, bringing our store managers and their customers together in a search for the common good.

When Carol Goldberg had the idea of the Consumer Board seven years ago, it was conceived as a good way of learning more about the people we hoped would become our customers when Stop & Shop expanded into New Jersey.

It was an idea that worked.

It worked so well, in fact, the idea was brought back to Boston, took root and flourished as the Consumer Board of Directors.

That board, of men and women active in the community and in consumerism generally, meets regularly with management to discuss policies and practices. Avram Goldberg, President of The Stop & Shop Companies, Inc., usually chairs the meeting.

The Board of Directors was the nucleus of the Toy Forum held in Boston early last year, at which representatives of the industry, government and the consumer spoke their minds on toy safety.

From that Forum came many of the ideas incorporated into the highly successful PlaySafer program launched by Bradlees in time for the holiday selling season.

The success of the Boston Board led inevitably—as we realize now—to the formation of "mini-boards" at store level, involving the manager and his customers in across-the-table discussion.

Today the area boards number 45 and allow us to explore Stop & Shop's position on such issues as meat nomenclature, flammability regulations, generic drugs.

The mini-boards allow our customers to ask us about Universal Product Code, about the reasons behind the paper bag shortage, about rainchecks.

We are able, in short, to communicate.

With communication comes understanding, and further demonstration of the rightness of our credo:

What is good for the consumer, our customer, is good for Stop & Shop.

Loss Prevention

One of the more unpleasant, but unavoidable, duties of a responsible retailer is the control of loss from shoplifting, pilferage, breakage, or accidents.

Since it is a duty we must discharge in justice to our employes, to our customers and to our stockholders, we at Stop & Shop approach the job with the same determination we apply to our other tasks.

Our Loss Prevention Department reports that in the fiscal year 1973, 13,035 persons were apprehended for shoplifting and more than $122,000 worth of merchandise recovered.

In addition, as the result of leads from the TIP (Turn-in-Profits) Line and other sources, Loss Prevention investigated 1,324 cases involving employes, vendors and service contractors.

As a result of those investigations, 373 individuals, both employes and vendor representatives, terminated relations with The Stop & Shop Companies, Inc.

To handle such investigations and stay strong in the battle of wits with criminals quick to twist technological advances to their own ends, Stop & Shop is developing an ever more sophisticated Loss Prevention system.

Loss Prevention Director Ben Pesky reports that system involves the use of closed circuit television in our stores, continued refinement of our armored car services, more dependable shopping services.

Loss Prevention has produced its own Front Security Slide Presentation for Bradlees and has begun in Stop & Shop stores a program to identify causes of inventory shortages.

Pesky reports feedback from that project has been so encouraging the program will be expanded to Bradlees and Medi Mart.

Procedures for dealing with vendor credit problems are being revised and Store Detective Manuals updated.

The Department puts equal emphasis on Safety, refining Fire and Disaster Procedures and sending men to the Liberty Mutual Insurance Co. Safety Management Course.

Safety and O.S.H.A. (Occupational Safety and Health Act) meetings are held at both retail and non-retail locations and fire drills are held regularly at all non-retail locations.

Loss Prevention, however, is more than techniques and statistics. It is a state of mind, an awareness that this Company belongs to each and every one of us, and that as we protect its assets, we protect ourselves. That is our ultimate goal.


Farmer's
Market
As advertised
PINK
SEEDLESS
10 for $1


B
EMERSON
EMERSON
Bradlees
Bradlees
POLISHER
SANDER
PLUS-SIZE
SPORTSWEAR
5.99

prescriptions
pharmacy
16

Consolidated Ten-Year Financial Summary

Fiscal Year Ended (In Thousands)		2/2/74	2/3/73[c]
Sales		$1,082,957	994,469
Earnings:			
Pretax operating earnings	$	15,237	10,803
After tax operating earnings	$	8,860	6,400
Extraordinary item, net of applicable income taxes	$	—	—
Net earnings	$	8,860	6,400
Reinvested in the business	$	6,023	3,562
Percent to sales		.82%	.64%
Per share of common stock based on average number of shares outstanding during the year:			
Before extraordinary item	$	2.81	2.03
After extraordinary item	$	2.81	2.03
Cash dividends paid	$	2,837	2,838
Cash dividends per share of common stock	$	.90	.90
Stock distributions		—	—
Current assets	$	118,267	103,261
Current liabilities	$	79,681	66,463
Working capital	$	38,586	36,798
Current ratio		1.48	1.55
Total assets	$	260,087	244,729
Retained earnings	$	55,010	48,987
Stockholders' equity	$	72,774	66,751
Number of shares issued less shares held in treasury at end of each fiscal year (In Thousands)		3,153	3,153
Stop & Shop Supermarkets:			
Opened and acquired		6	6
Closed		5	8
In operation at year end		155	154
Bradlees Department Stores:			
Opened and acquired		7	4
Closed		—	1
In operation at year end		63	56
Medi Mart Drug Stores:			
Opened		3	3
Closed		—	2
In operation at year end		22	19
Perkins Tobacco Shops:			
Opened and acquired		4	3
Closed		—	2
In operation at year end		38	34
FunStop Stores:			
Opened		—	—
Closed		—	3
In operation at year end		—	—

[a] In July 1966, the fiscal year end of the Company was changed to the Saturday nearest January 31, from the Saturday nearest June 30.

[b] Includes $0.59 extraordinary item.

[c] 53 Weeks

1/29/72	1/30/71	1/31/70	2/1/69[c]	1/27/68	1/28/67[a]	7/2/66	7/3/65[c]
907,734	789,950	720,478	654,822	566,361	507,506	469,850	423,173
4,500	10,052	14,123	11,811	9,645	8,243	5,789	8,867
3,561	5,637	7,445	6,736	6,113	5,456	3,463	5,254
—	—	—	—	1,773	—	—	—
3,561	5,637	7,445	6,736	7,886	5,456	3,463	5,254
729	2,819	4,691	4,001	5,391	3,037	1,180	3,579
.39%	.71%	1.03%	1.03%	1.08%	1.08%	.74%	1.24%
1.13	1.80	2.40	2.22	2.02	1.80	1.14	1.72
1.13	1.80	2.40	2.22	2.61[b]	1.80	1.14	1.72
2,832	2,818	2,754	2,735	2,495	2,419	2,283	1,675
.90	.90	.90	.90	.82½	.80	.75	.55
—	—	—	—	—	—	—	3%
98,868	91,900	87,263	67,700	52,830	50,778	46,300	41,297
62,373	41,841	54,294	35,224	28,114	28,733	24,900	23,488
36,495	50,059	32,969	32,476	24,716	22,045	21,400	17,809
1.59	2.20	1.61	1.92	1.88	1.77	1.86	1.76
238,337	200,638	188,305	158,432	133,028	124,992	120,745	112,824
45,425	44,696	41,877	36,825	32,824	27,433	24,973	23,793
63,153	62,150	59,251	53,040	48,659	43,254	40,795	40,453
3,151	3,134	3,129	3,048	3,025	3,024	3,024	3,070
11	16	4	9	8	5	4	2
4	6	3	5	9	10	6	4
156	149	139	138	134	135	139	141
4	1	1	6	7	5	7	7
2	—	3	—	—	2	1	—
53	51	50	52	46	39	36	30
5	7	3	3	—	—	—	—
—	—	—	—	—	—	—	—
18	13	6	3	—	—	—	—
7	7	21	—	—	—	—	—
2	—	—	—	—	—	—	—
33	28	21	—	—	—	—	—
2	1	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3	1	—	—	—	—	—	—

The Stop & Shop Companies, Inc. and Subsidiaries
Consolidated Balance Sheet

Assets	February 2, 1974 (In Thousands)	February 3, 1973 (In Thousands)
Current assets:		
Cash	$ 6,040	$ 6,186
Accounts receivable	5,648	5,106
Insurance claims for fire loss, inventory and business interruption (Note 2)	4,888	4,888
Receivable from mortgagees for construction costs covered by executed mortgage agreements	407	932
Inventories, at the lower of cost or market	98,584	83,518
Prepaid expenses	2,700	2,631
Total current assets	118,267	103,261
Fixed assets, at cost (Notes 1 and 4):		
Land	10,774	10,861
Buildings and improvements	94,677	100,242
Fixtures, machinery and equipment	82,373	78,462
	187,824	189,565
Less accumulated depreciation and amortization	62,644	66,707
	125,180	122,858
Leasehold improvements at cost less accumulated amortization	10,242	11,829
Net fixed assets	135,422	134,687
Book value of fixed assets affected by fire (Note 2)	2,725	2,725
Other assets:		
Notes receivable, etc. at cost	1,688	1,698
Deferred charges (Note 1)	1,985	2,358
Total other assets	3,673	4,056
	$260,087	$244,729

See accompanying notes to financial statements.

Liabilities and Stockholders' Equity	February 2, 1974 (In Thousands)	February 3, 1973 (In Thousands)
Current liabilities:		
Current portion of long-term debt	$ 4,537	$ 4,371
Accounts payable	53,837	42,005
Accrued expenses	13,684	12,169
Federal income taxes	7,623	7,918
Total current liabilities	79,681	66,463
Deferred federal income taxes (Note 6)	8,961	8,169
Long-term debt (Note 4):		
Capitalized lease obligation	9,300	9,485
Mortgage notes payable	50,476	52,736
Other notes payable	38,895	41,125
Total long-term debt	98,671	103,346
Stockholders' equity:		
Preferred stock; authorized 500,000 shares, none issued or outstanding	—	—
Common stock par value, $1 per share; authorized 7,500,000 shares, issued 3,212,915 shares (Note 3)	3,213	3,213
Capital in excess of par value of capital stock (Note 5)	15,858	15,858
Retained earnings (Note 4)	55,010	48,987
	74,081	68,058
Less cost of 60,299 shares in treasury	1,307	1,307
Total stockholders' equity	72,774	66,751
	$260,087	$244,729

Consolidated Statement of Earnings and Retained Earnings

	52 Weeks Ended February 2, 1974 (In Thousands)	53 Weeks Ended February 3, 1973 (In Thousands)
Retail sales	$1,082,957	$994,469
Cost and expenses:		
Cost of goods sold, buying and warehousing costs	862,991	794,985
Selling, store operating and administrative expenses	183,574	169,860
Depreciation and amortization (Note 1)	14,014	11,616
Interest on mortgages	4,101	3,798
Other interest (net)	3,040	3,407
	1,067,720	983,666
Earnings before federal income taxes	15,237	10,803
Federal income taxes (Note 6)	6,377	4,403
Net earnings	8,860	6,400
Retained earnings at beginning of year	48,987	45,425
	57,847	51,825
Less cash dividends paid	2,837	2,838
Retained earnings at end of year	$ 55,010	$ 48,987
Earnings per share of common stock based on average number of shares outstanding during the year	$ 2.81	$ 2.03
Cash dividends per share of common stock	$ .90	$ .90

See accompanying notes to financial statements.

Consolidated Statement of Changes in Financial Position

	52 Weeks Ended February 2, 1974 (In Thousands)	53 Weeks Ended February 3, 1973 (In Thousands)
Funds provided:		
Net earnings	$ 8,860	$ 6,400
Items which do not use (provide) working capital:		
Depreciation and amortization	14,014	11,616
Deferred federal income taxes	792	1,002
Interest capitalized during construction of major facilities	(77)	(130)
Funds provided from operations	23,589	18,888
Increase in long-term debt	1,775	3,786
Sale of capital stock	—	36
Decrease in other assets	383	250
	$25,747	$22,960
Used as follows:		
Expenditures for fixed assets, net of book value of minor disposals	$14,672	$13,735
Cash dividends paid	2,837	2,838
Decrease in long-term debt	6,450	6,084
Increase in working capital	1,788	303
	$25,747	$22,960
Changes in working capital:		
Increase (decrease) in current assets:		
Cash	$ (146)	$ 1,036
Accounts receivable	542	369
Insurance claims for fire loss (Note 2)	—	(218)
Receivable from mortgagees for construction costs	(525)	(8,539)
Inventories	15,066	10,765
Prepaid expenses	69	980
	15,006	4,393
Increase (decrease) in current liabilities:		
Current portion of long-term debt	166	(266)
Accounts payable	11,832	(2,973)
Accrued expenses	1,515	3,633
Federal income taxes	(295)	3,696
	13,218	4,090
Increase in working capital	$ 1,788	$ 303

See accompanying notes to financial statements.

Notes to Financial Statements

1. Accounting Policies:

Principles of consolidation:

The consolidated financial statements include the accounts for the parent company and all subsidiaries.

Inventories:

Inventories are valued at the lower of cost or market, using the retail method for inventories in retail stores and standard costs, approximating current costs, for inventories in warehouses.

Fixed assets and depreciation:

The Company capitalizes interest during construction of major real estate.

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives:

Buildings	20 to 40 years
Equipment and fixtures	3 to 15 years
Automotive equipment	4 years

Cost of leasehold improvements is amortized on the straight-line method over periods of 10 to 15 years, or the term of the lease, if shorter.

Federal income taxes:

For federal income tax purposes, accelerated methods of computing depreciation on building and equipment are used wherever applicable. Also the research, development and start-up costs for the meat processing and packaging plant deferred on the books (see Deferred charges) were expensed for tax purposes in prior years. Provision has been made for related deferred federal income taxes. See note 6 for accounting for investment credit.

Store opening and closing costs:

The Company follows a policy of charging off all store opening expenses as incurred. Losses resulting from store closings are charged off as soon as determinable.

Deferred charges:

Certain research, development and start-up costs for the meat processing and packaging plant were deferred and are being amortized over a five year period commencing in the year ended February 3, 1973. The unamortized balance at February 2, 1974, included in Deferred charges, amounted to $828,000.

Capitalized lease:

The meat processing and packaging plant, built to the Company's specifications, is leased from the City of Marlborough, Massachusetts. The lease expires in 1998 and annual rentals approximate $700,000. The Company has the right to terminate the lease prior to the expiration date and purchase the facility at a price determined principally by the amount required to enable the City to redeem related outstanding bond financing. Accordingly, the Company has recorded the land, buildings and equipment on the books as assets at cost and capitalized the related lease obligation as long-term debt.

Earnings per share:

The Company computes primary earnings per share based on the average shares outstanding during the year (3,152,616 and 3,152,270 shares in 1973 and 1972, respectively). Fully diluted earnings per share in each of the years differed from the primary earnings per share by less than 3%.

2. Insurance Claims

In August, 1969, the Company's principal grocery distribution warehouse, located in Readville, Massachusetts, together with its related operating equipment and inventory contents was destroyed by fire. At the time of the fire the Company had in effect insurance coverage as to which several different insurers participated in various amounts, providing aggregate coverage for property damage and business interruption loss up to $30 million with respect to such location.

The Company has received insurance payments on account of such loss aggregating $19,202,000 from various of the insurers providing coverage for the first $20 million of such loss. The Company has instituted legal proceedings for the recovery of the $798,000 remaining unpaid of this first $20 million of loss, and in the opinion of its counsel should prevail in such proceedings. With respect to the $19,202,000 of proceeds referred to above, certain insurers have reserved the right to refunds up to $4,562,000 under certain circumstances which in the opinion of Company counsel are unlikely to occur.

Arbitration proceedings between the Company and the insurer whose policy covers that portion of the loss between $20 million and $30 million have resulted in an award in favor of the Company of the $10 million. The Company and this insurer are presently engaged in litigation relative to the liability of such insurer under certain provisions of the policy. Based on the opinion of its counsel, the Company believes such insurer is liable to reimburse the Company for such loss in excess of $20 million up to the maximum $30 million.

Pending ultimate recovery under all applicable insurance policies, the book value of the building and related equipment destroyed in the 1969 fire is shown separately in the balance sheets as of February 2, 1974 and February 3, 1973. Any significant difference between such book value and the amount actually recovered with respect thereto may eventually be shown, net of related taxes, as an extraordinary item in the Company's statement of earnings.

3. Stock Options

Options under the Company's Qualified Plan are granted at 100% of market value at date of grant and expire in five years. Options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At February 2, 1974 options to purchase 88,815 shares were outstanding (14,990 presently exercisable) at prices ranging from $14.00 to $34.00 per share.

Changes during the current year are summarized as follows:

	Number of Shares	
	Issuable Under Options Granted	Available For Option
Balance at beginning of year	85,103	67,627
Options granted	27,900	(27,900)
Cancellations and expirations	(24,188)	24,188
	88,815	63,915

4. Long-Term Debt

	1973	1972
	(In Thousands)	
Industrial Revenue Bonds, 4.8% to 5.75%, maturing annually in increasing amounts from $195,000 to $685,000 from 1975 to 1998.	$ 9,300	$ 9,485
Mortgage notes, 4% to 10½%, (weighted average of 7.7% in 1973 and 7.5% in 1972) maturing at annual rates of approximately $3,000,000 through 1979, at $2,000,000 from 1980 to 1994, and thereafter at smaller varying amounts through 1998.	50,476	52,736
Promissory note 7.6%, maturing $2,450,000 annually to 1988 and the balance payable in 1989.	38,675	41,125
Promissory note 8.0%, maturing at increasing amounts through 1983.	220	—
	$98,671	$103,346

Long-term debt maturing in the Period 1975 to 1979 is as follows:

	In Thousands
1975	$5,940
1976	5,773
1977	5,582
1978	5,664
1979	5,444

The mortgage notes, although not signed by the Company or its subsidiaries, are secured by land, buildings and improvements costing approximately $87,000,000 and by assignments of intercompany lease agreements.

Under the terms of the 7.6% Promissory Note, through 1989 working capital must be maintained at $20,000,000 and certain restrictions with respect to payment of cash dividends or purchase or retirement of capital stock are in effect. As of February 2, 1974, approximately $11,600,000 of retained earnings was not so restricted.

5. Capital in Excess of Par Value of Capital Stock

	1973	1972
	(In Thousands)	
Balance at beginning of year	$15,858	$15,824
Add:		
Excess over par value of proceeds from sale of capital stock to employees under stock option plan	—	34
Balance at end of year	$15,858	$15,858

6. Federal Taxes Charged to Income

The components of Federal income tax expense are as follows:

	1973	1972
	(In Thousands)	
Current, net of $810,000 investment credit (1972, $785,000)	$5,585	$3,401
Deferred, related to:		
Excess of accelerated tax depreciation over book depreciation (Note 1)	895	1,157
Book amortization of research, development and start-up costs, expensed for tax purposes (Note 1)	(128)	(101)
Other	25	(54)
Net deferred taxes	792	1,002
Total tax expense	$6,377	$4,403

The Federal tax expense in 1973 and 1972 reflected effective rates of 42% and 41% respectively, compared with the statutory Federal income tax rate of 48%. The reasons for these differences are as follows:

	1973	1972
Tax expense at statutory rate	48%	48%
Investment tax credit	(5%)	(7%)
Other	(1%)	—
	42%	41%

State income taxes are included in selling, store operating and administrative expenses.

7. Rental Commitments

At February 2, 1974 the Company had various non-cancellable leases in effect for store properties, office buildings, and distribution centers.

The number of stores owned or leased by the Company is as follows:

	Owned	Leased	Total
Stop & Shop Supermarkets	62	93	155
Bradlees Department Stores	11	52	63
Other	11	49	60
	84	194	278

Substantially all of the non-cancellable leases are "operating leases" as defined in the guidelines of the Securities and Exchange Commission. Leases falling within the definition of "financing leases" are not significant and the total present value of such lease commitments and the impact on net income if capitalized would not be material.

The minimum annual rentals payable to outsiders by the Company and its subsidiaries exclusive of real estate taxes, other expenses and additional rents based on a percentage of sales in certain stores are as follows:

(In Thousands)

1974—$15,400	1979 to '83 —$66,700
1975— 15,300	1984 to '88 — 49,300
1976— 15,200	1989 to '93 — 29,600
1977— 14,700	Remainder— 3,300
1978— 14,500	

Rental expense for real estate (net of sublease income) in 1973 and 1972 amounted to $10,100,000 and $9,300,000, respectively.

The Company also, in general, rents its transportation equipment under relatively short term cancellable leases. Rentals are determined principally on mileage. Such rentals (net) approximated $750,000 annually in 1973 and 1972. Other equipment rentals under cancellable leases approximated $1,100,000 annually in 1973 and 1972.

8. Retirement Plan

The Company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements other than certain union employees covered by union-sponsored plans. The Company's policy is to fund retirement costs accrued, which in the current year amounted to approximately $643,000 ($696,000 in 1972), which includes amortization of prior service cost over a 40 year period. As of February 2, 1974 total plan assets exceeded in value all vested benefit liabilities.

9. Other Litigation

In January 1974, the Company was named as a defendant along with three other Massachusetts retail supermarket chains in an action alleging violations of federal antitrust laws and various Massachusetts state laws. The plaintiffs, 42 California grape growers—shippers of table grapes, allege that the defendants conspired to boycott the plaintiffs' product during 1969, 1970 and 1973 and are claiming damages of two million dollars, trebled to six million dollars. In the opinion of management and the Company's legal counsel, based upon present knowledge of the facts and the applicable law, the Company has good defenses in this action and damages, if any, should not have a material effect upon the financial position or the results of operations of the Company.

10. Wholly-Owned Realty Subsidiaries—Combined Balance Sheets

	February 2, 1974	February 3, 1973
	(In Thousands)	
Assets:		
Cash and receivables	$ 565	$ 964
Due from parent company	10,243	8,611
Fixed assets at cost:		
Land	9,895	9,983
Buildings and improvements	77,182	78,556
	87,077	88,539
Less accumulated depreciation and amortization	24,434	23,979
	62,643	64,560
Book value of fixed assets affected by fire (Note 2)	2,023	2,023
Other assets	746	568
	$76,220	$76,726
Liabilities:		
Current installments of long-term debt	$ 3,109	$ 2,966
Accounts payable and accrued expenses	1,227	1,022
Deferred federal income taxes	2,539	2,406
Long-term debt, less current installments above (Note 4)	50,476	52,736
Parent company's equity:		
Capital stock	62	64
Retained earnings	18,807	17,532
	$76,220	$76,726

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
ONE BOSTON PLACE
BOSTON, MASSACHUSETTS 02108

The Board of Directors and Stockholders
The Stop & Shop Companies, Inc.

We have examined the consolidated balance sheets of The Stop & Shop Companies, Inc. and subsidiaries as of February 2, 1974 and February 3, 1973 and the related statements of earnings and retained earnings and changes in financial position for the 52 weeks and 53 weeks, respectively, then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the ultimate realization of the insurance claims for fire loss as described in Note 2 to the financial statements, the aforementioned financial statements present fairly the financial position of The Stop & Shop Companies, Inc. and subsidiaries at February 2, 1974 and February 3, 1973, the results of their operations and changes in their financial position for the 52 weeks and 53 weeks respectively then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

March 25, 1974

Peat, Marwick, Mitchell & Co.

Officers and Directors

William Applebaum
  Emeritus Lecturer on Food Distribution and Comparative Marketing, Harvard Graduate School of Business Administration
Norman L. Cahners
  Chairman of the Board, Cahners Publishing Company
Albert S. Frager
  Treasurer and Chief Financial Officer
Donald A. Gannon
  Retired President
Avram J. Goldberg*
  President and Chief Operating Officer
Carol R. Goldberg
  Vice President, Boston Supermarket Division
Donald J. Hurley
  Partner, Goodwin, Procter & Hoar
William F. Pounds
  Dean, Sloan School of Management Massachusetts Institute of Technology
Irving W. Rabb*
  Vice Chairman of the Board and Chairman, Executive Committee
Norman S. Rabb
  Retired Vice Chairman of the Board
Sidney R. Rabb*
  Chairman of the Board and Chief Executive Officer
Peter J. Solomon
  Managing Director Lehman Brothers, Incorporated
Lloyd D. Tarlin
  Retired Senior Vice President
William W. Wolbach
  President, The Boston Company Chairman of the Board, Boston Safe Deposit and Trust Company

*Executive Committee

Annual Meeting:
  June 4, 1974 at 1:30 P.M. at The First National Bank of Boston, First Floor Auditorium, 100 Federal Street, Boston, Massachusetts 02210.
Transfer Agent:
  The First National Bank of Boston
Registrar:
  The National Shawmut Bank of Boston
Auditor:
  Peat, Marwick, Mitchell & Co.
General Offices:
  393 D Street, Boston, Massachusetts 02210
Shares Traded on:
  Boston Stock Exchange
  New York Stock Exchange

The Stop & Shop Companies Inc.
  Sidney R. Rabb, Chairman of the Board and Chief Executive Officer*
  Irving W. Rabb, Vice Chairman of the Board and Chairman, Executive Committee*
  Avram J. Goldberg, President and Chief Operating Officer*
  Albert S. Frager, Treasurer and Chief Financial Officer*
  Frank A. Crowley, Vice President, Real Estate
  Anthony DiNardo, Vice President, Personnel and Marketing Services
  Harold E. Fine, Vice President, Engineering and Construction*
  J. David Fine, Vice President, Labor Relations
  Myles Hannan, Vice President
  Joseph L. Riemer, Jr., Vice President, Technical Services
  Bernard Solomon, Vice President, Civic, Government and Community Affairs
  Richard F. Spears, Vice President, Administration*
  Louis P. Steinberg, Vice President, Advertising, Design and Sales Promotion
  Arthur S. Robbins, Assistant Financial Vice President and Assistant Treasurer*
  Carmen J. Gentile, Assistant Treasurer*
  Donald J. Hurley, Secretary and Clerk*
Stop & Shop Supermarket Company
  Sidney L. Goldstein, President
  Anast W. Giokas, Vice President, Sales
  Spyros A. Gavris, Vice President, Meat Operations
  Ralph J. Lordi, Vice President, Groceries
  Carol R. Goldberg, Vice President, Boston Division
  Lewis G. Schaeneman, Jr., Vice President, Connecticut Division
  Donald W. Stowbridge, Vice President, Stores Operations
Manufacturing and Quality Control
  Arthur Norris, Vice President*
  Bernard A. Goldman, General Manager, Manufacturing Division
Bradlees Department Store Company
  Robert J. Futoran, President
  Raymond J. Doyle, Vice President and Merchandise Controller
  C. Robert Peacock, Vice President, Operations and Accounting
  Sylvia P. Shaine, Vice President and General Merchandise Manager
  Richard I. Shuman, Vice President, Sales Promotion
Medi Mart Drug Store Company
  Robert J. Levin, President
Charles B. Perkins Tobacco Shops
  Robert J. Levin, President
  Stephen C. Espo, Vice President and General Manager
E. L. Nason Co. Inc. and Fargo Potato Company
  Philip Lane, General Manager

*Corporate Officer

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